

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 EA-10 FRB-03 INR-10 NEA-10 NSAE-00 OPIC-03  
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
DODE-00 H-01 INT-05 L-03 PA-01 CTME-00 STR-07  
ITC-01 SOE-02 DOE-15 NSCE-00 SSO-00 ICAE-00  
INRE-00 AF-10 ARA-10 STRE-00 /154 W  
-----077649 182015Z /70

O R 181811Z JUL 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 4939  
INFO ALL OECD CAPITALS  
AMEMBASSY BRUSSELS  
USMISSION GENEVA

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USOECD

PASS EB/IPT FOR BARRACLOUGH AND STR FOR HEIMLIC

USEEC

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PASS EB/IPT FOR BARRACLOUGH AND STR FOR HEIMLICH

E.O. 11652: N/A  
TAGS: OECD, ETRD  
SUBJECT: STEEL RESOLUTION  
FOLLOWING IS TEXT OF DRAFT STEEL RESOLUTION ISSUED  
TO MEMBERS OF AD HOC STEEL GROUP BY OECD SECRETARIAT  
JULY 18.  
BEGIN TEXT  
DRAFT RESOLUTION ON STEEL  
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### PROBLEMS

1. THE WORLD'S STEEL INDUSTRY IS EXPERIENCING  
SERIOUS DIFFICULTIES OF BOTH A CYCLICAL AND STRUC-  
TURAL NATURE. THESE DIFFICULTIES ARE WIDESPREAD  
AND ARE CHARACTERIZED BY:  
- PERSISTENT EXCESS CAPACITY;  
- AN EXCEPTIONALLY LOW LEVEL OF DEMAND;

- UNJUSTIFIABLY LOW PRICES ON WORLD MARKETS;
- MARKED CHANGES IN TRADITIONAL TRADE PATTERNS;
- MAJOR DISLOCATIONS OF LABOUR, FREQUENTLY IN AREAS ALREADY EXPERIENCING HIGH UNEMPLOYMENT;
- DEPRESSED FINANCIAL PERFORMANCE AMONG PRODUCERS, WHICH HOLDS DOWN INVESTMENTS NEEDED FOR MODERNISATION AND RATIONALISATION OF PLANTS;
- INCREASING GOVERNMENTAL INTERVENTION IN STEEL SUPPLY AND DEMAND, ESPECIALLY WITH FOREIGN TRADE.

2. IN VIRTUALLY ALL MAJOR STEEL-PRODUCING NATIONS, STEEL OCCUPIES A CENTRAL PLACE IN THE NATIONAL ECONOMY. IN A NUMBER OF MAJOR AREAS, THE MAGNITUDE OF STRUCTURAL PROBLEMS CONFRONTING THE STEEL SECTOR AND RESULTANT SOCIAL AND ECONOMIC IMPLICATIONS OF THE NECESSARY STRUCTURAL ADJUSTMENTS ARE SUBSTANTIAL.

3. THE INTERRELATIONSHIP OF DEVELOPMENTS IN THE STEEL SECTORS FROM COUNTRY TO COUNTRY AND THE POTENTIAL THAT UNILATERAL ACTIONS AND POLICIES CAN AGGRAVATE THE PROBLEMS OF OTHERS, HAVE BECOME CLEAR. THE CONVERGENCE OF CYCLICAL PROBLEMS AMONG MANY NATIONS SERVES TO INTENSIFY THE PROBLEMS FACED BY EACH. THERE IS GENERAL RECOGNITION THAT THERE MAY WELL BE RECURRING CYCLICAL DIFFICULTIES.

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#### OBJECTIVES

4. IN VIEW OF THESE DIFFICULTIES, GOVERNMENTS NEED TO WORK CLOSELY TOGETHER IN ORDER TO:
- ENSURE THAT TRADE IN STEEL WILL REMAIN AS UNRESTRICTED AND FREE OF DISTORTION AS POSSIBLE. RESTRICTIVE ACTIONS SHOULD BE AVOIDED AND, WHERE NECESSARY, STRICTLY LIMITED IN SCOPE AND TIME, AND IN CONFORMITY WITH GATT RULES;
  - ENCOURAGE REDUCTION OF BARRIERS TO TRADE;
  - ENABLE GOVERNMENTS TO ACT PROMPTLY TO COPE WITH CRISIS SITUATIONS IN CLOSE CONSULTATION WITH INTERESTED TRADING PARTNERS AND IN CONFORMITY WITH AGREED PRINCIPLES;
  - FACILITATE NEEDED STRUCTURAL ADAPTIONS THAT WILL DIMINISH PRESSURES FOR TRADE ACTIONS AND PROMOTE RATIONAL ALLOCATION OF PRODUCTIVE RESOURCES WITH THE AIM OF ACHIEVING FULLY COMPETITIVE ENTERPRISES;

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INRE-00 AF-10 ARA-10 STRE-00 /154 W  
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- ENSURE THAT MEASURES AFFECTING THE STEEL INDUSTRY  
ARE CONSISTENT TO THE EXTENT POSSIBLE WITH GENERAL  
ECONOMIC POLICIES AND TAKE INTO ACCOUNT IMPLICATIONS  
FOR RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING IN-  
DUSTRIES;  
-AVOID ENCOURAGING ECONOMICALLY UNJUSTIFIED INVEST-  
MENTS WHILE RECOGNISING LEGITIMATE DEVELOPMENT NEEDS;  
-FACILITATE MULTILATERAL CO-OPERATION CONSISTENT WITH  
THE NEED TO MAINTAIN COMPETITION, TO ANTICIPATE AND, TO  
THE EXTENT POSSIBLE, PREVENT PROBLEMS.

5. TO ACCOMPLISH THESE OBJECTIVES, IT IS HEREBY  
RESOLVED THAT A STEEL COMMITTEE BE ESTABLISHED.

COMMITTEE FUNCTIONS

6. THE STEEL COMMITTEE WILL MEET REGULARLY AND IN  
SPECIAL SESSIONS AS REQUIRED TO:

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(1) CONTINUOUSLY FOLLOW NATIONAL, REGIONAL,

AND WORLD SUPPLY AND DEMAND CONDITIONS IN STEEL AND CLOSELY RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING INDUSTRIES, WITH A VIEW TO IDENTIFYING POTENTIAL PROBLEMS AND IMPLICATIONS AND MAKING ASSESSMENTS AND FORECASTS AVAILABLE TO ALL INTERESTED PARTIES;

(2) CONTINUOUSLY FOLLOW THE EVOLUTION OF NATIONAL, REGIONAL AND WORLD STEEL INDUSTRIES WITH REGARD TO EMPLOYMENT, PROFITS, INVESTMENTS, CAPACITY, INPUT COSTS, PRODUCTIVITY, AND OTHER ASPECTS OF VIABILITY AND COMPETITIVENESS;

(3) DEVELOP COMMON PERSPECTIVES REGARDING EMERGING PROBLEMS OR CONCERNS IN THE STEEL SECTOR AND ESTABLISH WHERE APPROPRIATE, MULTILATERAL OBJECTIVES OR GUIDELINES FOR GOVERNMENT POLICIES;

(4) REGULARLY REVIEW GOVERNMENT POLICIES AND ACTIONS IN THE STEEL SECTOR TO ASSESS THEIR APPROPRIATENESS IN THE LIGHT OF THE CURRENT SITUATION, AGREED MULTILATERAL OBJECTIVES AND GUIDELINES AND THE GATT OR OTHER INTERNATIONAL AGREEMENTS;

(5) IDENTIFY DEFICIENCIES AND GAPS IN EXISTING DATA NEEDED BY THE COMMITTEE WITH A VIEW TO IMPROVING NATIONAL INPUTS TO THE COMMITTEE AND CROSS-NATIONAL COMPARABILITY OF DATA.

#### PARTICIPATION

7. PARTICIPATION IN THE STEEL COMMITTEE WILL BE OPEN TO OECD COUNTRIES AND TO INVITED NON-OECD COUNTRIES LIMITED OFFICIAL USE

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RIES WITH EITHER SUBSTANTIAL STEEL PRODUCTION OR TRADE INTERESTS, PROVIDED THAT SUCH NON-OECD COUNTRIES AGREE TO UNDERTAKE BASICALLY THE SAME COMMITMENTS MADE BY OTHER MEMBER COUNTRIES ON THE COMMITTEE. THE COMMITTEE MAY DECIDE WHEN ANY NON-OECD COUNTRIES THAT MEET THE ABOVE REQUIREMENTS WILL BE INVITED TO TAKE PART IN THE COMMITTEE'S WORK, AND WITH WHAT STATUS.

#### INITIAL COMMITMENTS

8. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE FOLLOWING MULTILATERAL GUIDELINES:

A. WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

1. NO ACTIONS SHOULD BE INCONSISTENT WITH GATT PROVISIONS.
2. WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS PRACTICABLE AND

APPROPRIATE TO THE CAUSES WHICH LED TO THEIR INTRODUCTION.

3. ALL ACTIONS (INCLUDING, ON REQUEST, VOLUNTARY RESTRAINT AGREEMENTS) TAKEN BY MEMBERS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND, IN CONFORMITY WITH GATT RULES, TO THE GATT. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED PERIODICALLY TO THE STEEL COMMITTEE. THE MEMBERS AGREE TO CONSULT ON ANY TRADE ACTION OF INTEREST TO ANOTHER MEMBER.

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4. WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY, A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT TRADITIONAL TRADE FLOWS ESTABLISHED UNDER NORMAL CONDITIONS OF COMPETITION NOT BE SEVERELY DISRUPTED.

5. PRICE GUIDELINES ESTABLISHED IN CONFORMITY WITH THE INTERNATIONAL ANTI-DUMPING CODE ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN EXPORTING COUNTRIES, WIDESPREAD PRICE

CUTTING BY MANY EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORLD MARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDITIONS SUCH AS LOW CAPACITY UTILISATION, PROFITS, SALES, INVESTMENTS AND EMPLOYMENT. SUCH ACTIONS SHOULD BE EXPEDITIOUSLY REMOVED OR LIBERALISED AS CONDITIONS IMPROVE.

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6. PRICE GUIDELINES ESTABLISHED IN CONFORMITY WITH THE ANTI-DUMPING CODE SHOULD NOT EXCEED EITHER THE LOWEST NORMAL PRICES OR THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEAD), PROFIT, DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES, IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION PREVAIL.

B. THE MEMBERS OF THE STEEL COMMITTEE AGREE THAT THEY WILL AVOID ANY FORM OF COMPETITIVE SUBSIDISATION OF EXPORTS OF NEW STEELMAKING PLANT AND EQUIPMENT, AND THAT THE POLICIES OF GOVERNMENT EXPORT CREDIT INSTITUTIONS REGARDING STEEL PLANTS WILL BE FULLY CONSISTENT WITH THE INTERNATIONAL ARRANGEMENT DEVELOPED IN THE OECD.

C. THE MEMBER GOVERNMENTS AGREE THAT DOMESTIC POLICIES TO SUSTAIN STEEL FIRMS DURING CRISIS PERIODS SHOULD NOT SHIFT THE BURDEN OF ADJUSTMENT TO OTHER COUNTRIES AND THUS INCREASE THE LIKELIHOOD OF RESTRICTIVE TRADE ACTIONS BY OTHER COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS, BY ARTIFICIALLY RAISING STOCK LEVELS OR BY ARTIFICIALLY DISPLACING IMPORTS). FURTHER, AS A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES WHERE THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE WITHIN A REASONABLE PERIOD OF TIME.

D. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO MAKE EVERY EFFORT TO PROVIDE EFFECTIVE PROGRAMMES FOR STEEL WORKER READAPTATION AWAY FROM FACILITIES

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IMPACTED BY STRUCTURAL ADJUSTMENTS INTO ALTERNATIVE EMPLOYMENT. TO THIS END, THE MEMBERS WILL PERIODI-

CALLY EXCHANGE INFORMATION ON THE EFFECTIVENESS OF  
POLICIES AND PROGRAMMES TO ASSIST STEEL WORKERS

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INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
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INRE-00 AF-10 ARA-10 STRE-00 /154 W  
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FM AMEMBASSY PARIS  
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AND COMMUNITIES.

E. ANY ACTIONS TO RESTRICT TRADE IN STEEL MAKING  
MATERIALS SHOULD BE REPORTED PROMPTLY TO THE STEEL  
COMMITTEE AND BE SUBJECT TO CONSULTATION WITH AFFECTED  
PARTIES.

WORK PROGRAMME

9. WITH RESPECT TO THE COMMITMENTS AGREED IN THIS  
RESOLUTION, THE STEEL COMMITTEE SHOULD PROMPTLY UNDER-  
TAKE AN EXAMINATION OF GOVERNMENT POLICIES  
AFFECTING THE STEEL SECTOR IN THE FOLLOWING AREAS:

(1) EVOLUTION OF TRADE FLOWS AND THE IMPACT ON  
THEM OF GOVERNMENT MEASURES;  
(2) GUIDELINES FOR STEEL TRADE ACTIONS;  
(3) ADAPTATION OF PRODUCTION STRUCTURE THROUGH  
MODERNISATION, CLOSURES AND RECONVERSIONS;

(4) READAPTION OF LABOUR;  
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(5) DOMESTIC POLICIES TO SUSTAIN STEEL PRODUCTION  
IN TIMES OF CRISIS;

(6) DOMESTIC PRICING AND SUPPLY;

(7) GOVERNMENT EXPORT CREDITS EXTENDED INTERNATIO-  
NALLY FOR STEEL PLANTS AND EQUIPMENT.

THE COMMITTEE WILL CONTINUE THE WORK INITIATED  
IN THE AD HOC STEEL GROUP AND MAY UNDERTAKE EXAMINA-  
TIONS IN OTHER AREAS AS DEEMED APPROPRIATE BY THE  
COMMITTEE MEMBERS.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Status:** NATIVE  
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**TAGS:** ETRD, OECD  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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